

# GUATEMALA<sup>1</sup>

## MINIMUM WAGE

A trilateral committee representing labor, management, and the Ministry of Labor is named each year to make recommendations for increases in the minimum wage. Traditionally, business has been represented by persons chosen by CACIF (the “umbrella” business chamber that includes commercial, industrial, agricultural, and financial interests), labor is represented by persons selected by the larger labor federations, and the Ministry of Labor is represented by the Minister of Labor or his or her representative. In the event that agreement is not possible, the government may decree such increases. Such has been the case for the past two years, since the tripartite committee has been unable to agree to any changes in the minimum wage. As a result, both in December 1997 and January 1999, the President has exercised his authority as the chief executive to mandate changes in the minimum wage.

The minimum-wage level is established for each industry, with an effort to recognize the different job skills prevalent in some industries. New minimum wage levels set for certain industries need not be set across the board.

In January 1999, the Ministry of Labor announced that the President had decided to increase the minimum wage by 10 percent. As a result, the agricultural daily minimum wage is currently 19.64 quetzales (Q), about 2.87 U.S. dollars (US\$) at the exchange rate of Q6.85 to US\$1, while the daily nonagricultural minimum is Q21.68 (US\$3.16). The table below presents the minimum wage rates for prior years.

**Daily Minimum Wage Rates, 1991-99**

<u>Period</u>	<u>Industrial Workers</u>		<u>Farm Workers</u>	
	<u>(Q)</u>	<u>(US\$)</u>	<u>(Q)</u>	<u>(US\$)</u>
Late 1991-September 1994	14.00	2.42	11.60	2.00
October 1994-December 1995	16.00	2.80	14.50	2.55
January 1996-November 1997	17.60	2.93	15.95	2.66
December 1997-December 1998	19.71	3.03	17.86	2.75
January 1999-	21.68	3.16	19.64	2.87

Source: U.S. Department of State, *Country Reports on Human Rights Practices*, Guatemala, Section 6e, 1993-98.

<sup>1</sup>Unless noted otherwise, information presented here is from American Embassy—Guatemala, unclassified telegram No. 784 (February 26, 1999).

The legal workday is 8 hours, and the workweek is 44 hours, but a tradition of longer hours remains in place due to economic conditions. The amended Labor Code requires a weekly rest period of at least 24 hours.<sup>2</sup>

## PREVAILING OR AVERAGE WAGE

The average “core” daily wage in the maquila apparel sector is Q35 (US\$6.11). By law, all workers are paid an additional two months of salary per year (an *aguinaldo* at Christmas and a “14th month bonus” in July). Market conditions usually compel employers to offer food and transport subsidies as well as performance bonuses. Some companies also offer a health clinic on premises.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Guatemala for all employees in the manufacturing sector. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.<sup>3</sup> Data were not available from the ILO on average weekly hours worked by production workers in manufacturing or in the textile and apparel industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US\$ using the annual average exchange rate published in the International Monetary Fund’s *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund’s *International Financial Statistics* (March 1999), indexed to 1990 = 100.

### Average Monthly Earnings in All Manufacturing

Year	All Manufacturing		Real Earnings Index (Q: 1990=100)
	(Q)	(US\$)	All Manufacturing
1990	474	106	100
1991	578	115	92
1992	686	133	99
1993	775	138	100
1994	868	151	101
1995	1138	196	122
1996	1369	226	132
1997	1430	236	126

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Source: ILO, *Yearbook of Labour Statistics*, 1998, p. 890.

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<sup>2</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 648.

<sup>3</sup> International Labour Organization, *Yearbook of Labour Statistics*, 1998 (Geneva: International Labour Office, 1998), p. 805.

## NON-WAGE BENEFITS

Government mandated non-wage benefits for private-sector workers, paid by the employer, are as follows (as a percentage of wages paid to the employee):<sup>4</sup>

7th day bonus on completion of work week	16.67 percent
Paid holidays (12 days per year)	3.84 percent
Paid vacation (15 days per year)	4.80 percent
July bonus (1 month's salary)	8.33 percent
Christmas bonus (1 month's salary)	8.33 percent
Severance pay (1 month's pay for each year worked)	8.33 percent
Employee recreation fund (IRTRA)	1.00 percent
Technical training fund (INTECAP)	1.00 percent
Social security	<u>10.00 percent</u>
Total	62.30 percent

In addition, female workers are granted maternity leave of 84 days, and one hour per day for 300 days for breast-feeding after giving birth.

A U.S. Social Security Administration survey<sup>5</sup> elaborates on three non-wage benefit programs in which employers in Guatemala must participate on behalf of their employees: (1) a social insurance system for old age, disability, and death benefits, which began in 1969, in which the insured person pays 1.5 percent of their earnings, the employer pays 3 percent of the payroll, and the government pays 25 percent of the cost of benefits paid; (2) another social insurance program sickness (begun in 1946) and maternity (begun in 1953) benefits, in which the insured person pays 2 percent of their earnings, the employer pays 4 percent of the payroll, and the government pays 2 percent of the payroll; and (3) work injury insurance, which began in 1947 and the insured person pays 1 percent of their earnings, the employer pays 3 percent of the payroll, and the government pays 1.5 percent of the payroll.

## ASSESSING BASIC NEEDS: THE POVERTY LINE

Both the consumer price index and the development of poverty indicators fall within the purview of the National Statistical Institute (INE). A measure of extreme poverty is based on the cost of a basic food basket that meets recommended daily calorie requirements (*canasta básica de alimentos*), and a more comprehensive poverty measure is based on the cost of a market basket of goods and services (*canasta básica vital*) that takes into account things a family needs to survive at a minimal level such as food, clothing, housing, repairs, transportation, and entertainment. The poverty lines are based on an average

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<sup>4</sup> Embassy of Guatemala, public submission in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.

<sup>5</sup> Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 150-151.

family size of 5.38 persons. In August 1998, the monthly cost of the basic food basket (extreme poverty line) was Q1,155.86 (US\$168.74) per family and the monthly cost of the basket of basic goods and services (poverty line) was Q2,109.20 (US\$307.91) per family.<sup>6</sup> According to one source,<sup>7</sup> about 60 percent of the Guatemalan population is living in poverty and 20 percent in extreme poverty.

The U.S. Department of State reports that the United Nations Development Programme (UNDP) has estimated that 80 percent of the Guatemalan population lives below the poverty line, including approximately 60 percent of those employed.<sup>8</sup> But the UNDP's *Human Development Report 1999* reports that, in 1989-94, 58 percent of the Guatemalan population was below the national poverty line in 1989-94 and 53 percent of the population was below the international poverty line of US\$1 per person per day in 1985 purchasing power parity adjusted US\$.<sup>9</sup>

The World Bank reports<sup>10</sup> that, in 1989, 76.8 percent of the Guatemalan population was below the international poverty line of US\$2 per person per day and 53.3 percent of the population was below the international poverty line of US\$1 per person per day, both in 1985 purchasing power parity adjusted US\$.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization<sup>11</sup> reports several of measures of a national poverty line for Guatemala:

! for 1978, 74 percent of the rural Guatemalan population was below the rural poverty line and 66 percent of the urban population was below the urban poverty line, with a national poverty rate of 71 percent.<sup>12</sup>

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<sup>6</sup> Embassy of Guatemala, public submission in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.

<sup>7</sup> See Commission for the Verification of Corporate Codes of Conduct (COVERCO), *Maquilas and Cost of Living in Guatemala: A Preliminary Overview* (Baltimore: Marianist Sharing Fund, October 1998), p. 7, which cites these figures as coming from a June 1998 report *Guatemala: Dissimilarities in Development* (in Spanish) by the United Nations Development Programme.

<sup>8</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 648.

<sup>9</sup> United Nations Development Programme (UNDP), *Human Development Report 1999* (New York: Oxford University Press, 1999), p. 147.

<sup>10</sup> World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

<sup>11</sup> Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 60-61.

<sup>12</sup> The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1988* (Washington: World Bank, 1988). The poverty estimates are based upon an estimated absolute poverty income level [but are not provided in the ILO compendium] below which a minimal nutritionally adequate diet plus essential non-food

- ! for 1980, 83.7 percent of the rural Guatemalan population was below the rural poverty line of a per capita monthly budget of Q84 in second half of the year 1988 prices and 47.0 percent of the urban Guatemalan population was below the urban poverty line of a per capita monthly budget of Q122 in second half of the year 1988 prices, with a national poverty rate of 71.1 percent; for 1986, 79.7 percent of the rural population was below the rural poverty line and 60.3 percent of the urban population was below the urban poverty line, with a national poverty rate of 73.2 percent.<sup>13</sup>
- ! for 1989, 79.4 percent of the rural Guatemalan population and 54.8 of the urban Guatemalan population were below the poverty line of a monthly per capita income of US\$60 in 1985 purchasing power parity adjusted US\$, with a national poverty rate of 70.4 percent.<sup>14</sup>

## MEETING WORKERS' NEEDS

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requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20<sup>th</sup> percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

<sup>13</sup> The estimates are referenced as originating from the Economic Commission for Latin America and the Caribbean (ECLAC), *Magnitud de la Pobreza en América Latina en los Años Ochenta* (Santiago: ECLAC, 1990), pp. 24; 115-116. The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimum food basket. The poverty lines in national currencies were not provided in the ILO compendium. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

<sup>14</sup> The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), Table 13.1 and pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US\$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Guatemala meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage is insufficient to provide a decent standard of living for a worker and family. Although the law sets minimum wages, the legally mandated minimum wage for most unskilled and semiskilled workers is not always paid.<sup>15</sup> The U.S. Embassy reports that neither the Ministry of Labor nor local labor federations know of any locally-developed studies on the issue of a "living wage" in Guatemala.

According to the U.S./Guatemala Labor Education Project (Proyecto de Solidaridad Laboral EUA/Guatemala), Article 130 of the Guatemalan Labor Code contains the following sentence:<sup>16</sup>

Every worker has the right to receive a minimum salary that covers his normal material, moral and cultural needs, and that permits him to satisfy his duties as head of family.

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<sup>15</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 648.

<sup>16</sup> Copy of a letter of December 12, 1997, from Stephen Coats to Karen Leahy and Jeff Hermanson; public submission by the Chicago Religious Leadership Network on Latin America (CRLN) in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.